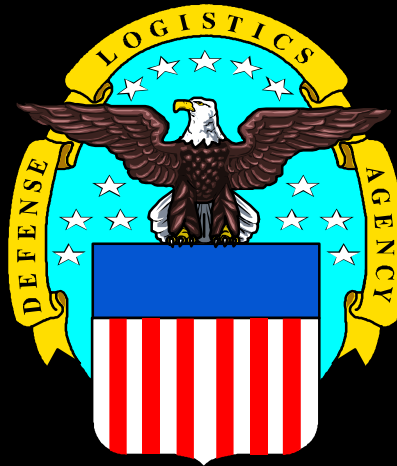


Contractor Self-Overnight (CSO)



Briefing for the Joint CAS Executive Meeting
July 30, 1997

Background

- ◆ CAS Reform PAT Report (5-4)
 - ◆ Recommended CSO test in Quality Assurance
- ◆ USD (A&T) memorandum, 21 Aug 95
 - ◆ Do it
- ◆ DCMC: Other applications too...
 - ◆ Property
 - ◆ Production
 - ◆ Also another alternative to DCMC QA--Lab Testing

What it Means

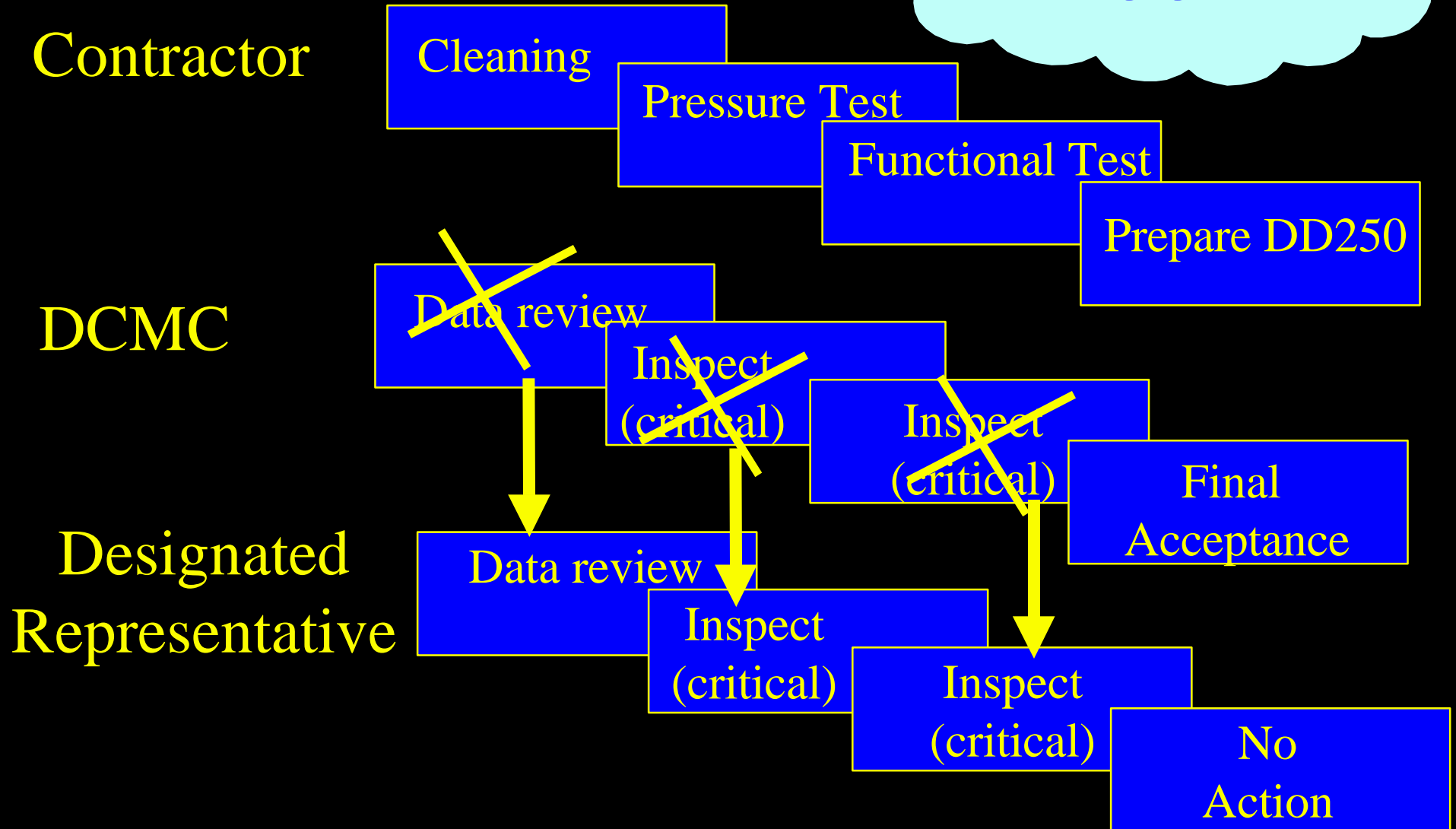
**Different way of
engaging---not
disengagement!**

- ◆ QA & Property
 - ◆ Designated contractor rep performs surveillance otherwise performed by DCMC
- ◆ Lab Testing
 - ◆ Lab testing vs. DCMC to determine acceptability
- ◆ Production
 - ◆ Disengage if contractor accurately forecasts late deliveries

CSO in QA Experiments

What it Means - QA

Does NOT mean
disengagement!!



Scope - QA

- ◆ 16 sites
- ◆ Experiment scopes varied
 - ◆ From specific process to entire plant
- ◆ Contract items varied
 - ◆ From C&T to helicopters and missiles
- ◆ About 35 DCMC manyears impacted

Metrics - QA

	CY 1996		
	<u>2Q</u>	<u>3Q</u>	<u>4Q</u>
DCMC Savings	215K	223K	198K
New Contractor Costs	<u>27K</u>	<u>157K</u>	<u>130K</u>
Net DoD Savings	188K	66K	68K
Surv Escapes (old)	28	16	7
Surv Escapes (new)	<u>25</u>	<u>10</u>	<u>2</u>
Net Change	-3	-6	-5

Comment Analysis - QA

	<u>Neg</u>	<u>?</u>	<u>Pos</u>
Customers	0	7	9
CAOs	3	0	13
<u>Contractors</u>	<u>1</u>	<u>0</u>	<u>15</u>
Composite:	8%	15%	77%

Conclusions - QA

- CSO is viable when:
 - Government needs to engage
 - DCMC and customers agree that contractor can act for us.
- CSO is not
 - a universal solution
 - disengagement
- Other tools exist to reduce involvement
 - PROCAS/risk assessment
 - CoC

CSO in Production Experiments

What It Means - Production

- Contractor forecasts contract delinquencies
- DCMC validates delivery forecast data
- DCMC continues surveillance until goal met
- Goal: 90% accuracy for 3 months
- When goal met, DCMC stops routine on-site surveillance

Scope - Production

- 32 Sites
- Large, medium, small firms included
- Items varied from electronics to cranes
- One process to entire plant
- Number of customers varied from one to ten
buying activities

Metrics - Production

- 7 of 32 sites reached goal
- Delinquency rate down at successful sites: 3 to 1%
- Avg delinquency rate for sites short of goal: 35%
- Notification rate for successful sites: 100%
- Notification rate for non-successful sites: 25%
- Avg prior notification, successful sites: 20 days
- Avg prior notification, non-successful sites: 7 days

Comment Analysis - Production

	<u>Neg</u>	<u>?</u>	<u>Pos</u>
Customers	2	27	3
CAOs	12	1	19
<u>Contractors</u>	<u>13</u>	<u>1</u>	<u>18</u>
Composite:	28%	30%	42%

Conclusions - Production

- CSO can work when:
 - Contractor has low delinquency rate
 - Customers agree
- Limited application
- Limited savings


CSO in Property Experiments

What It Means - Property

- Contractors are required to maintain an adequate property system to control, protect, and maintain all Government property as required by the Government property clauses.
- Under experiment, designated contractor reps surveilled the contractor's Property Control System, instead of DCMC Property Administrators.

Scope - Property

- 9 experiment sites finally established to evaluate concept
- Experiment evaluated in terms of performance, risk, and cost



Many Contractors
Already Operating
Under Other
Alternate Oversight
Strategies

Metrics - Property Costs

	Conventional	CSO	Change
Gov't	191K	87K	-104K
Contractor	<u>197K</u>	<u>360K</u>	<u>+163K</u>
TOTAL	388K	447K	+59K

Metrics - Property Performance

- Designated contractor reps evaluated to same standards as DCMC Property Administrator
- 19 performance areas reviewed
- 3 contractors did not do everything they should have (but see next page)

Metrics - Property Risks

- Used criteria from DCMC Performance Based Assessment Model (inherent, past, & future risk)

<u>Contractor</u>	<u>Before</u>	<u>After</u>
1	Medium	Medium
2	Low	Low
3	Medium	Medium
4	<i>High</i>	<i>Medium</i>
5	Low	Low
6	Medium	Medium
7	<i>Low</i>	<i>Medium</i>
8	Low	Low
9	Low	Low

Comment Analysis - Property

	<u>Neg</u>	<u>?</u>	<u>Pos</u>
Customers	0	8	1
CAOs	1	4	4
<u>Contractors</u>	<u>2</u>	<u>1</u>	<u>6</u>
Composite:	11%	48%	41%

Conclusions - Property

- CSO unlikely to result in huge customer cost savings or significant personnel savings to DCMC
- CSO viable as an alternate strategy

CSO Lab Testing Experiments

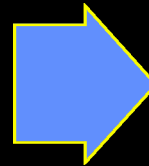
What It Means - Lab Testing

- Voluntary one year experiment
- Spare and repair parts
- Alternative to DCMC source inspection
- Use independent labs to perform inspection
- Base acceptance on lab test results

Scope - Lab Testing

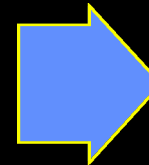
- **Two locations:**

- **Hazeltine Corp.**
Greenlawn, NY



2
contracts

- **Chromalloy TAD**
Harrisburg, PA



all
contracts

Metrics - Lab Testing

- Cost (Government)
 - Lab Testing Cost (\$1000/month) + WRALC Lab
 - DCMC costs avoided (\$1500/month)
- Schedule
 - Logistics response time (2 day improvement)
- Performance
 - Lab Test Results (all accepted)
 - Customer Complaints (none)

Comment Analysis - Lab Testing

	<u>Neg</u>	<u>?</u>	<u>Pos</u>
Customers	0	2	0
CAOs	0	1	1
<u>Contractors</u>	<u>0</u>	<u>1</u>	<u>1</u>
Composite:	0%	67%	33%

Conclusions - Lab Testing

- Lab Testing is not perceived as an effective tool by customers/contractors.
- Lab Testing adds little value when contractors have excellent performance history.

Overall Observations

- ◆ Surprising lack of contractor interest
 - ◆ QA - 16; Property - 9;
Lab Testing - 2; Production - 32
- ◆ Feedback from participants & stakeholders
 - ◆ QA & Production - Mostly Positive
 - ◆ Property - Mixed
 - ◆ Lab Testing - Little, but positive
- ◆ Good things
 - ◆ Apparent savings overall (caveats)
 - ◆ No apparent performance degradation (caveats)
 - ◆ CSO can work in some situations

CSO Experiment Results

- Briefed USD (A&T) May 2, 1997
- DCMC recommendations accepted
 - Conclude experiments
 - Shelve Lab Test concept (lack of interest)
 - Revise DCMC policy to make CSO in QA, Production, Property an option when customers, DCMC, and contractors agree
- Policy changes drafted, to publish Aug 97